Required Report - public distribution

Date: 1/7/2002

GAIN Report #TW2001

Taiwan

Oilseeds and Products

Annual

2002

Approved by:
Jonathan P. Gressel
American Institute in Taiwan
Prepared by:
ChiouMey Perng

Report Highlights:
Following Taiwan's WTO accession on January 1, 2002, the swine and poultry sectors are anticipated to contract 2 to 3 percent annually based on increasing Tariff Rate Quota (TRQ) imports of pork and poultry products. Declining feed demand will have a direct impact on Taiwan soybean imports. Industry sources indicate that soybean demand for crushing will decrease 9 percent by 2005 in line with declining pork and poultry production. With reduced crush, soy oil imports are expected to increase.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Taiwan [TW1], TW

Oilseeds and Products
Table of Contents

SECTION I. SITUATION AND OUTLOOK

Oilseeds Situation and Outlook

Taiwan soybean imports in 2000/01 dropped 3 percent from a year earlier due mainly to an economic downturn which reduced meat consumption and pre-WTO accession down payment quota imports of pork and poultry meat products. Taiwan acceded to the WTO on January 1, 2002. According to local industry, the swine and poultry sectors are anticipated to contract 2 to 3 percent annually, based on increasing TRQ imports pork and poultry meat products. For example, the chicken meat TRQ will increase from 19 TMT in 2002 to 46 TMT in 2004 after which imports will be liberalized.

Over the past several years, local soybean crushing industry representatives have visited China seeking marketing alliances with Mainland oilseed crushers. Taiwan crushers have found that there is limited potential for supplying the China market due to a build-up in crushing capacity in the PRC. On the other hand, PRC crushers are unlikely to supply the Taiwan feed and oils markets because of the competitiveness of the local, highly concentrated crushing industry. Taiwan currently bans imports of PRC soybeans and products. However, Taiwan may lift the ban on imports of PRC soybeans in the near future, as the local soy food industry has requested that the Taiwan authorities permit imports of PRC organic soybeans. According to industry reports, mainland China supplied 50 TMT of organic soybeans to Korea and Japan in 2001. Taiwan authorities announced on January 3, 2002, that the government planned to hold interagency meetings twice a year to review the current import restrictions on PRC agricultural and food products in an attempt to gradually relax the restrictions on PRC imports.

Estimated food use, mainly in the form of tofu and soy milk, is revised to about 250 TMT based on actual sales by crushers of sorted US#2 beans to endusers. In 2000/01, of the 250 TMT food beans, approximately 5 TMT were identity-preserved (IP) beans, non-GM food grade beans, and organic beans. The US supplied about 2 TMT, Canada 2 TMT, and Australia 1 TMT. The soyfood industry notes that food grade beans from Canada and Australia are price competitive with US beans, but US beans are better quality. Taiwan's non-GM food bean consumption may grow after mandatory bioengineered food labeling takes effect on January 1, 2003. There are a number of soy food products labeled non-GM, conventional, or organic available on the market since Taiwan promulgated GM labeling regulations on February 2001. As of January 1, 2003, only bioengineered soy and corn varieties which have been registered with DOH are eligible for commercialization.

Beginning January 1, 2001, the 0.2 percent ad valorem Harbor Construction Charge (HCC) is renamed as the Commercial Harbor Service Charge (CHSC). The CHSC is levied on a quantity basis. Commodities and goods are classified into three categories associated with different charges. The CHSC charge for grains, protein meals, and other bulk commodities are under a special discount rate at NT$2.8/MT, but the charge is reduced to NT$1.4/MT for the portion of dutiable weight that exceeds 50,000 MT. This change benefits local crushers. However, beginning January 1, 2002, imported bulk commodities are subject to a 5 percent Value Added Tax (VAT) at the time of importation whereas the VAT was previously applied at the point of sale. This new practice will increase import costs. Under the post-WTO environment, the Taiwan soybean market will become more price-oriented which will increase market challenges to U.S. soybeans.

Although agricultural trade situation with China is not clear at this point and U.S. soybeans face keener market challenges from cheaper South American beans, Taiwan's demand for U.S. soybeans should remain strong. The

United States had an 85 percent market share in 2000/01 and should remain near that level in 2001/02 and 2002/03.

Oilmeal Situation and Outlook

Taiwan's soybean meal demand is virtually all met with domestically crushed meal from imported soybeans. Soybean meal imports represent only 2 percent of 2000/01 total consumption. Taiwan's demand for soybean meal will decrease in line with the anticipated decline in feed demand driven by post-WTO production adjustments in the swine and poultry sectors. According to Taiwan's Council of Agriculture (COA), the WTO accession impact on feed demand will be significant. COA expects a decrease of one million heads of standing pig population from the current standing population of 7 million heads by 2005. TRQ imports of poultry and variety meat lead COA to forecast a decrease of 20 percent to 30 percent in the broiler sector by 2005. Post forecasts that the actual impact of the TRQ's will be significantly less than that predicted by COA.

Taiwan's feed rations include other protein meals. In 2000, the feed inclusion rate of fish meal was 3.8 percent, meat and bone meal 0.8 percent, and other protein meal (feather meal and other oilseeds meals combined) 2.4 percent. Virtually all protein meals are imported. Fish meal and other protein meals are not significant market competitors to soybean meal which accounts for around 20 percent of feed rations. Import of fish meal fluctuates with the world price level. However, the inclusion rate of fish meal in the 2000/01 remained at the level of a year earlier and is anticipated to remain at this level in the 2001/02. BSE incidents in the EU, Japan, and Korea didn't affect Taiwan meat and bone meal imports in the 2000/01, but it might change Taiwan's future demand for meat and bone meal. There were some discussions on removing meat and bone meal from the feed rations among local feed millers. In addition, full fat and dehulled soybean meal are increasingly popular. Approximately 220 TMT of full fat meal and 240 TMT of dehulled meal were produced in 2000/01, up about 10 percent from the previous year. Consequently, the American Soybean Association (ASA) Taiwan office looks for a potential increase in the inclusion rate of soybean meal in feed rations.

In 2005, imports of pork and poultry products will be fully liberalized. The impact of liberalization will depend on local industries' adjustment to the post-WTO market situation. Taiwan's soybean crushing industry has been consolidated into five crushing plants, with an annual capacity of 2.75 MMT. The top two crushers have an 85 percent market share and will remain competitive with imported meal. In addition to consolidation of the crushing industry, the local feed milling industry and livestock and poultry industries are becoming more closely integrated in an attempt to maintain price competitiveness with imported pork and poultry meat products. Consolidation and integration will result in a more efficient industry able to compete in the post-WTO environment, thereby maintaining soybean meal demand at relatively high levels.

Oil Situation and Outlook

In 2000/01, Taiwan total vegetable oil consumption was estimated at 550 TMT, of which soybean oil accounted for 66 percent, down 4 percent from the previous year, with increased sunflower oil and canola oil imports making up the difference. According to local industry, canola oil sourced from Canada had been competitive with soybean oil in the HRI sector. There are three segments in the Taiwan vegetable oil market: 1) market leaders: soybean oil and palm oil, with a market share of 66% and 12%, respectively, in 2000/01; 2) new-to-market: olive, canola, corn oil, sunflower oil, and safflower oil, with a combined 19% share; and 3) traditional

Chinese: peanut and sesame oil, with a combined 3% share.

Taiwan's vegetable oil demand increases about 0.7 percent per annum based on a 0.7 percent population growth rate as there is already a relatively high level of per capita oils and fats consumption (at 26.52 kg in 1999) . Total vegetable oil consumption estimates for 2001/02 and 2002/03 are 553 TMT and 556 tmt, respectively. Soybean oil accounts for two-thirds of consumption. Due to current high prices for canola oil and sunflower oil and depreciation of the Taiwan dollar versus the U.S. dollar (US$1 to NT$33 in December 2000 vs. NT$35 in December 2001), post forecasts that imports of canola oil will drop in 2001/02, and imports of sunflower oil in 2001/02 will remain at the current level of 30 TMT, as sun oil benefits from the 10 percent post-WTO tariff reduction. Despite increased import potentials for new-to-market oils due to the post-WTO tariff reductions (see Table 11), soybean oil and palm oil are expected to retain their leading market position. Soybean oil and palm oil are primarily used in the HRI and processing sectors. Soybean oil's share of the total vegetable oil market in 2001/02 and 2002/03 is forecast at 69 percent and 65 percent, respectively. As a result, soybean oil import demand is forecast to increase due to reduced local crush. This may benefit a Taiwan soybean crusher who has invested in the Philippines. Soybean oil produced from this plant is for export markets only, based on his investment contract deal with the Philippine government. This will indirectly benefit U.S. soybean growers because the company uses large volumes of U.S. soybeans.

PS&D note: Taiwan's oil extraction rate was adjusted below the average 18 percent due to increased production of full fat meal. Oil and meal extraction rates are based on industry statistics.

SECTION II. STATISTICAL TABLES

Table 1. Total Soybean Production, Supply and Distribution

PSD Table						
Country	Taiwan					
Commodity	Oilseed, Soybean				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Area Planted	3	0	3	0	0	0
Area Harvested	3	0	3	0	0	0
Beginning Stocks	126	139	138	84	132	84
Production	6	0	6	0	0	0
MY Imports	2400	2330	2300	2270	0	2210
MY Imp. from U.S.	1950	1985	1875	1930	0	1878
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	2532	2469	2444	2354	132	2294
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	2100	2134	2010	2015	0	1955
Food Use Dom. Consump.	277	251	285	255	0	255
Feed,Seed,Waste Dm.Cn.	17	0	17	0	0	0
TOTAL Dom. Consumption	2394	2385	2312	2270	0	2210
Ending Stocks	138	84	132	84	0	84
TOTAL DISTRIBUTION	2532	2469	2444	2354	0	2294
Calendar Year Imports	0	2302	0	2270	0	2210
Calendar Yr Imp. U.S.	0	1998	0	1930	0	1878
Calendar Year Exports	0	0	0	0	0	0
Caldr Yr Exp. to U.S.	0	0	0	0	0	0

Table 2. Total Soybean Meal Production, Supply and Distribution

PSD Table						
Country	Taiwan					
Commodity	Meal, Soybean				(1000 MT)(PERCENT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Crush	2100	2134	2010	2015	0	1955
Extr. Rate, 999.9999	0.795238	0.715089	0.795025	0.71464	ERR	0.716113
Beginning Stocks	30	22	25	25	25	29
Production	1670	1526	1598	1440	0	1400
MY Imports	35	35	60	34	0	33
MY Imp. from U.S.	0	18	0	17	0	16
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1735	1583	1683	1499	25	1462
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	10	0	10	0	0	0
Feed Waste Dom. Consum	1700	1558	1648	1470	0	1433
TOTAL Dom. Consumption	1710	1558	1658	1470	0	1433
Ending Stocks	25	25	25	29	0	29
TOTAL DISTRIBUTION	1735	1583	1683	1499	0	1462
Calendar Year Imports	0	60	0	34	0	33
Calendar Yr Imp. U.S.	0	29	0	25	0	15
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 3. Total Soybean Oil Production, Supply and Distribution

PSD Table						
Country	Taiwan					
Commodity	Oil, Soybean				(1000 MT)(PERCENT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Crush	2100	2134	2010	2015	0	1955
Extr. Rate, 999.9999	0.165238	0.16448	0.165174	0.158809	ERR	0.158568
Beginning Stocks	95	117	85	105	80	89
Production	347	351	332	320	0	310
MY Imports	30	12	65	50	0	50
MY Imp. from U.S.	0	5	0	5	0	5
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	472	480	482	475	80	449
MY Exports	0	2	0	2	0	2
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	15	15	15	15	0	15
Food Use Dom. Consump.	372	358	387	369	0	352
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	387	373	402	384	0	367
Ending Stocks	85	105	80	89	0	80
TOTAL DISTRIBUTION	472	480	482	475	0	449
Calendar Year Imports	35	21	0	50	0	50
Calendar Yr Imp. U.S.	5	0	0	5	0	5
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 4. Soybean Import Matrix for 2000/01

Import Trade Matrix			
Country	Taiwan		
Commodity	Oilseed, Soybean		
Time period	10/2000	Units:	1,000 mt
Imports for:	2000		2001
U.S.	1985	U.S.	1930
Others		Others	
Brazil	342	Brazil	335
Canada	2	Canadian	3
Australia	1	Australia	2
Total for Others	345		340
Others not Listed	0		0
Grand Total	2330		2270

Table 5. Soybean Meal Import Matrix for 2000/01

Import Trade Matrix			
Country	Taiwan		
Commodity	Meal, Soybean		
Time period	10/2000	Units:	1,000 mt
Imports for:	2000		2001
U.S.	18	U.S.	17
Others		Others	
India	17	India	17
Total for Others	17		17
Others not Listed			
Grand Total	35		34

Table 6. Soybean Oil Import Matrix for 2000/01

Import Trade Matrix			
Country	Taiwan		

Commodity	Oil, Soybean		
Time period	10/2000	Units:	1,000 mt
Imports for:	2000		2001
U.S.		U.S.	10
Others		Others	
Philippines	7	Philippines	10
Brazil	3	Brazil	5
Malaysia	2	Malaysia	5
Total for Others	12		20
Others not Listed			
Grand Total	12		30

Table 7. Soybean prices at Kaohsiung Port

Prices Table			
Country	Taiwan		
Commodity	Oilseed, Soybean		
Prices in	NT$	per uom	100 kg
Year	2000	2001	% Change
Jan	729	856	17.42%
Feb	745	795	6.71%
Mar	741	764	3.10%
Apr	750	751	0.13%
May	755	734	-2.78%
Jun	753	753	0.00%
Jul	735	816	11.02%
Aug	719	832	15.72%
Sep	760	834	9.74%
Oct	737	808	9.63%
Nov	731	768	5.06%
Dec	724		-100.00%
Exchange Rate	35.08	Local currency/US $	

Table 8. Soybean Meal Prices at Crushers

Prices Table			
Country	Taiwan		
Commodity	Meal, Soybean		
Prices in	NT$	per uom	100 kg
Year	2000	2001	% Change
Jan	738	855	15.85%
Feb	738	840	13.82%
Mar	742	792	6.74%
Apr	762	751	-1.44%
May	755	741	-1.85%
Jun	757	782	3.30%
Jul	748	831	11.10%
Aug	743	818	10.09%
Sep	758	780	2.90%
Oct	760	751	-1.18%
Nov	769	748	-2.73%
Dec	828		-100.00%
Exchange Rate	35.08	Local currency/US $	

Table 9. Soybean Oil Prices at Crushers

Prices Table			
Country	Taiwan		
Commodity	Oil, Soybean		
Prices in	NT$	per uom	100 kg
Year	2000	2001	% Change
Jan	1800	883	-50.94%
Feb	1771	857	-51.61%
Mar	1694	877	-48.23%
Apr	1643	920	-44.00%
May	1710	923	-46.02%
Jun	1664	953	-42.73%
Jul	1606	1093	-31.94%
Aug	1479	1188	-19.68%
Sep	1467	1175	-19.90%
Oct	1465	1120	-23.55%
Nov	1429	1044	-26.94%
Dec	1459		-100.00%
Exchange Rate	35.08	Local currency/US $	

Table 10. Imports of Non-Traditional Cooking Oils in tmt

Type of Edible Oil	1999 Imports	2000 Imports	Jan/Sept 2000 Imports	Jan/Sept 2001 Imports
Palm Kernel Oil	2	1	1	1
Palm Oil	65	70	53	64
Coconut Oil	6	7	5	6
Olive Oil	7	7	5	6
Canola Oil	33	45	39	15
Corn Oil	2	4	4	2
Sunflower Oil	32	31	25	18
Safflower Oil	1	9	1	--
Total Imports	148	174	133	112
Source: Taiwan Customs Statistics				

Table 11. Tariff Rates for Edible Oils and Oil Seeds

HS Code	Seed/Oil	Tariff in 2001	Tariff in 2002
1201.00	Soybeans	0	0
1507.10 & 1507.90	Soybean Oil	6	5
1513.21.10 & 1513.29.10	Palm Kernel Oil	1.25	0
1511.10 & 1511.90	Palm Oil	2.5	0
1513.11 &1513.19	Coconut Oil	3	0
1509.10 & 1509.90	Olive Oil	5	4
1205.00.10	Rape Seeds	3.5	0
1514.10 & 1514.90	Rape (Canola) Oil	6	5
1515.21 & 1515.29	Corn Oil	7.5	5
1207.60.00	Safflower Seeds	9	0
1512.11 & 1512.19	Safflower Oil	12.5	5
1206.00.00	Sunflower Seeds	11	0
1512.11.10 & 1512.19.10	Sunflower Oil	15	5
Source: Taiwan Customs Tariff Schedule			

FEED DEMAND STRATEGIC INDICATOR TABLES FOR [TAIWAN]

MEAT PRODUCTION (in 1,000 metric tons)

Calendar Year:	2000	Last Year 2001	Current Year 2002	Out Year Forecast 2003
Poultry				
Poultry Meat:	726	711	696	682
Eggs:	7,748	7,700	7,600	7,500
Pork:	920	892	864	834

COMPOUND FEED SECTOR (in 1,000 metric tons)

Calendar Year:	2000	Last Year 2001	Current Year 2002	Out Year Forecast 2003
Compound Feed Capacity	26,000	26,000	26,000	26,000
Total Compound Feed Produced	7,693	7,462	7,231	7,000
------ by integrated producers	5,232	5,095	4,918	4,760
------ by commercial producers	2,461	2,367	2,313	2,240

FEED GRAIN USE (in 1,000 metric tons)

Marketing Year:	1999	Last Year 2000	Current Year 2001	Out Year Forecast 2002
Corn (Domestic consumption: feed)	5,000	4,850	4,700	4,550
Other (for wet milling)	250	250	250	250

PROTEIN - ENERGY USAGE (in 1,000 metric tons)

Marketing Year:	1999	Last Year 2000	Current Year 2001	Out Year Forecast 2002
Total Protein Meal (feed waste domestic consumption)	2,111	2,005	1,951	1,915
Soy Bean Meal (feed waste domestic consumption)	1,558	1,470	1,433	1,414
Other Protein Meal, e.g. Palm Kernel Meal, Rape Meal (feed waste domestic consumption)	190	183	177	170
Fish Meal	296	287	278	270
Palm Crude Oil (feed waste domestic consumption)	1	1	1	1
Meat and Bone Meal	67	65	63	60

TRADE (in 1,000 metric tons)

Calendar Year:	2000	Last Year 2001	Current Year 2002	Out Year Forecast 2003
Corn				
Imports:	4,941	4,795	4,644	4,496
Exports:	0	0	0	0
Soy Beans				
Imports:	2,302	2,270	2,210	2,150
Exports:	0	0	0	0
Soy Bean Meal				
Imports:	60	34	33	33
Exports:	0	0	0	0
Fish Meal				
Imports:	296	287	278	270
Exports:	0	0	0	0
Palm Crude Oil				
Imports:	1	1	1	1
Exports:	0	0	0	0

PROTEIN PRODUCTS TARIFFS AND TAXES **Report Year: 2002**	**Product Description 1/**	**Bound Rate (%)**	**Applied Rate (%)**	**Other Import Taxes/Fees**
0505.90.20.10	FEATHER MEAL	**2.5**	**0**	**CHFC & VAT**
1501.00.00.60	YELLOW GREASE	25	25	CHFC & VAT
1502.00.00.40	INEDIBLE TALLOW	2.5	1	CHFC & VAT
1511	PALM OIL	5	2.5	CHFC & VAT
1518.00.90.00	ANML/VG FTS &OILS	15	10	CHFC & VAT
2301.10	MEAT AND BONE MEAL	0	0	CHFC & VAT
2301.20	FISH MEAL	0	0	CHFC & VAT
2304	SOYBEAN MEAL	0	0	CHFC & VAT

Note: CHSC represents the Commercial Harbor Service Charge.